

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA	:	DATE FILED:	
v.	:	CRIMINAL NO.	
LEO F. SCHWEITZER III JOHN DUNN	:	VIOLATION:	18 U.S.C. §1343 (Wire fraud - 21 counts) 18 U.S.C. §1341 (Mail fraud - 11 counts) 18 U.S.C. §1001 (False statements - 1 count) 18 U.S.C. § 2 (Aiding and abetting)

INDICTMENT

Counts One through Twenty-One

THE GRAND JURY CHARGES THAT:

The US Department of Defense Procurement System

1. The United States Department of Defense (DOD) purchases spare parts and miscellaneous hardware from government contractors.
2. DOD uses an internet bid board system to procure some of its supplies. DOD starts this procurement process by soliciting an offer for supplies through the bid board. The solicitation includes a required delivery date, shipment location(s), and other specifications.
3. Contractors submit offers to supply the specified commodities at a fixed-price by a required delivery date. The commodity must be shipped to the specified location(s) in packaging that complies with the specifications set forth in the purchase order.

4. DOD awards the contract to the contractor that submits the lowest-priced technically acceptable offer by the published closing date.

5. DOD purchase orders expire, automatically, if the supplies are not delivered by the required delivery date.

6. DOD pays the contractor upon receipt of an invoice by which the contractor attests that it has shipped the commodities and that they conform to the contract's requirements.

7. DOD has historically paid contractors by check. DOD now generally pays contractors by Electronic Funds Transfer.

Defendant Leo F. Schweitzer III

8. In or about October 1985, defendant LEO F. SCHWEITZER III was convicted in the Eastern District of Pennsylvania at Criminal No. 84-97 for making false statements to the government and for mail fraud in violation of 18 U.S.C. §§1001 and 1341. These charges stemmed from defendant SCHWEITZER'S intentional sale of faulty goods to the government. As a condition of defendant SCHWEITZER'S parole in that case--which commenced on February 23, 1999 and runs through January 11, 2008--defendant SCHWEITZER was required to make full and complete disclosure of his business activities as required by his United States Probation Officer. Defendant SCHWEITZER was also prohibited from accepting or beginning any employment without the prior approval of his Probation Officer.

9. In or about November 1995, defendant LEO F. SCHWEITZER III was also convicted in the Eastern District of Pennsylvania at Criminal No. 95-200 for conspiracy, false statements and money laundering in violation of 18 U.S.C. §§371, 1001 and 1957. These charges stemmed from defendant SCHWEITZER'S failure to pay for goods which he obtained from vendors and manufacturers to fill DOD contracts. The sentence in that case included a term of

supervised release from February 23, 1999 to February 22, 2002. The conditions of supervised release included the condition that defendant SCHWEITZER was "debarred from contracting directly or indirectly with the United States during the supervised release period."

THE SCHEME

10. From in or about May 2000, to in or about February 2002, defendant

LEO F. SCHWEITZER III

devised and intended to devise a scheme to defraud suppliers on DOD contracts and to obtain money and property from them by means of false and fraudulent pretenses, representations, and promises.

It was part of the scheme that:

11. Defendant LEO F. SCHWEITZER III obtained a job at a company called The Satellite Company, and used the name and purported business of this company--the sale and installation of satellite TV systems--to conceal a scheme to bid on and win DOD contracts in violation of the terms of his parole on Criminal No. 84-97 and his supervised release on Criminal No. 95-200.

12. Defendant LEO F. SCHWEITZER III recruited the founder of The Satellite Company, John Dunn (charged in Count 33), to lie to defendant SCHWEITZER'S Probation Officer regarding the nature of defendant SCHWEITZER'S work at The Satellite Company.

13. Defendant LEO F. SCHWEITZER III recruited John Dunn and others to bid on government contracts at defendant SCHWEITZER'S direction through companies they established for that purpose (referred to below as the "intermediary companies"). These companies included: Innovative Concepts 2000, FirstSource Worldwide, Grace Blessings, and Multiple Enterprises.

14. Defendant LEO F. SCHWEITZER III filled DOD contracts won by the intermediary companies with supplies which he obtained on credit through The Satellite Company and for which he did not pay.

15. Defendant LEO F. SCHWEITZER III sent, and caused to be sent, by facsimile transmission over interstate telephone lines, purchase orders to the suppliers to obtain goods on credit.

16. Defendant LEO F. SCHWEITZER III obtained the goods on credit in part by directing the intermediary companies to provide the suppliers with fake credit references for The Satellite Company.

17. Defendant LEO F. SCHWEITZER III provided the intermediary companies with the goods he obtained on credit and directed the intermediaries to forward the goods to DOD.

18. Defendant LEO F. SCHWEITZER III required the intermediary companies to pay him for the goods from the funds they received from the government. The payments from the government to the intermediary companies were made in most cases via Electronic Funds Transfers.

19. Defendant LEO F. SCHWEITZER III did not pay his suppliers despite the fact that the intermediary companies paid him.

20. Defendant LEO F. SCHWEITZER III changed the name of The Satellite Company to TSC when suppliers he had not paid for prior orders recognized the name and refused to extend additional credit to The Satellite Company.

21. Defendant LEO F. SCHWEITZER III preferred to obtain goods on credit from suppliers outside of Pennsylvania because it was more difficult for out-of-state victims to pursue him for collection.

22. Defendant LEO F. SCHWEITZER III victimized approximately 27 suppliers for an aggregate loss of approximately \$158,891.

23. On or about each of the dates set forth below, in the Eastern District of Pennsylvania and elsewhere, defendant

LEO F. SCHWEITZER III

for the purpose of executing the scheme described above, caused to be transmitted by means of wire communication in interstate and foreign commerce the signals and sounds described below for each count, each transmission constituting a separate count:

COUNT	DATE	DESCRIPTION	LOSS TO SUPPLIER
1	5/10/2000	Purchase order faxed from The Satellite Company in Allentown, PA to Wilson Auto Electric, Winnipeg, Canada for 100 starters	\$11,744
2	10/26/2000	Purchase order faxed from The Satellite Company in Allentown, PA to Grayhill, Inc., LaGrange, IL for 800 rotary switches and knobs	\$7,186
3	10/31/2000	Purchase order faxed from The Satellite Company in Allentown, PA to Woodward Governor Systems in Rockton, IL for 19 shaft shoulders	\$5,091
4	11/6/2000	Purchase order faxed from The Satellite Company in Allentown, PA to Tate Andale Inc., Baltimore, MD for 13 vent valves	\$5,210
5	11/16/2000	Purchase order faxed from The Satellite Company in Allentown, PA to Allied Marine Services, Inc., Stevensville, MD for 60 valves	\$6,352
6	12/04/2000	Purchase order faxed from The Satellite Company in Allentown, PA to Hydrasearch Company, Technical Products and Precision, in Stevensville, MD for 8 cartridge assemblies	\$4,730

7	12/04/2000	Purchase order faxed from The Satellite Company in Allentown, PA to Technical Products/Hydrasearch in Stevensville, MD for 3 globe valves	\$1,463
8	12/4/2000	Purchase order faxed from The Satellite Company in Allentown, PA to Pico Electronics, Pelham, NY for 100 audio video transformers	\$8,170
9	1/5/2001	Purchase order faxed from The Satellite Company in Allentown, PA to Barber-Colman Company, Loves Park, IL for 1 sleeve bearing	\$117
10	3/8/2001	Purchase order faxed from The Satellite Company in Allentown, PA to Clemco Industries Corp. in Washington, MO for 50 sandblast nozzles	\$6,245
11	4/11/2001	Purchase order faxed from The Satellite Company in Allentown, PA to American Solenoid, Somerset, NJ for 260 switches	\$6,960
12	5/17/2001	Purchase order faxed from The Satellite Company in Allentown, PA to Orbit Irrigation Products, North Salt Lake, UT for 12,960 adjustable nozzles	\$18,830
13	5/17/2001	Purchase order faxed from The Satellite Company in Allentown, PA to D&D Instruments, Minneapolis, MN for 170 switches	\$9,917
14	7/19/2001	Purchase order faxed from The Satellite Company in Allentown, PA to Hayman-Carpenter in Cinnaminson, NJ for 4 pumps	\$1,766
15	7/20/2001	Purchase order faxed from The Satellite Company in Allentown, PA to Astrolite Alloys, Oxnard, CA for 250 pounds of nickel welding powder	\$13,586

16	8/2/2001	DOD Electronic Funds Transfer to Multiple Enterprises, Nations Bank Account 3437122480 for partial payment of \$1,546 on DOD contract SP074001V1904 for 45 hydraulic rams, supplied to Multiple Enterprises by The Satellite Company, and supplied to The Satellite Company by F/X Machining, Allentown, PA	\$1,833
17	8/8/2001	Purchase order faxed from The Satellite Company in Allentown, PA to Amphenol Corporation, Sidney, NY for 50 filter connectors	\$14,712
18	8/9/2001	Purchase order faxed from The Satellite Company in Allentown, PA to Kelly Manufacturing Company, Topeka, KS for 10 circuit boards	\$2,713
19	8/22/2001	Purchase order faxed from The Satellite Company in Allentown, PA to Digi-Key Corp., Thief River Falls, MN for 300 resistors	\$1,129
20	9/4/2001	DOD Electronic Funds Transfer to Multiple Enterprises, Nations Bank Account 3437122480 for partial payment of \$1,388 on DOD contract SP074001V1904 for 40 hydraulic rams, supplied to Multiple Enterprises by The Satellite Company, and supplied to The Satellite Company by F/X Machining, Allentown, PA	\$1,629
21	10/12/2001	Purchase order faxed from The Satellite Company in Allentown, PA to Brush Wellman Corp., Elmhurst, IL, for 17 pounds of electrical grounding strip material	\$368
		Loss subtotal on Wire Fraud Counts	\$129,751

All in violation of Title 18, United States Code, Section 1343.

Counts Twenty-Two through Thirty-Two

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 22 of Count One are incorporated here.
2. It was further part of the scheme that defendant LEO F. SCHWEITZER III caused his sources of supply to ship goods to The Satellite Company on credit via private interstate freight carriers.
3. On or about the dates set forth below, in the Eastern District of Pennsylvania and elsewhere, having devised and intending to devise the scheme to defraud set forth above, defendant

LEO F. SCHWEITZER III

for the purpose of executing the scheme and attempting to do so, knowingly caused the following matters and things to be delivered by commercial interstate carrier according to the directions thereon, each shipment constituting a separate count:

COUNT	DATE	DESCRIPTION	LOSS TO SUPPLIER
22	12/27/2000	Shipment by UPS Ground of 144 quick disconnect couplers from Airline Hydraulics Corp., Bensalem, PA to The Satellite Company, Allentown, PA	\$5,105
23	1/9/2001	Shipment by UPS Ground of 41 quick disconnect couplers from Airline Hydraulics Corp., Bensalem, PA to The Satellite Company, Allentown, PA	\$1,453
24	1/19/2001	Shipment by Airborne Express of 190 Dayco Fittings from Airline Hydraulics Corp, Bensalem, PA to The Satellite Company, Allentown, PA	\$330

25	1/19/2001	Shipment by UPS Ground of 45 solenoid valves from Ives Equipment Corporation, King of Prussia, PA to The Satellite Company, Allentown, PA	\$7,198
26	3/22/2001	Shipment by UPS Ground of 3 hand pumps from Robert J. Fitzmyer Co., Conshohocken, PA to TSC, Allentown, PA	\$219
27	4/6/2001	Shipment by private interstate carrier of 225 dimmer switches from Service Motor Parts, Middletown, PA to The Satellite Company, Allentown, PA	\$1,164
28	4/12/2001	Shipment by UPS Ground of 300 clutch plates from Transmission Engineering, Hatfield, PA to The Satellite Company, Allentown, PA	\$3,973
29	3/22/2001	Shipment by UPS Ground of 6000 power cables from Allied Wire & Cable, Bridgeport, PA to The Satellite Company, Allentown, PA	\$6,900
30	9/19/2001	Shipment by UPS Ground of 28 compressed air regulators from McMaster-Carr Supply Company, Dayton, NJ to TSC, Allentown, PA	\$271
31	9/27/2001	Shipment by UPS of 11 valves from Penn Valve & Fitting Co., Willow Grove, PA to TSC, Allentown, PA	\$1,401
32	10/9/2001	Shipment by UPS Ground of 1 bronze strainer from Thomas Willcox Co., Frazer, PA to TSC, Allentown, PA	\$1,126
		Loss subtotal on mail fraud counts	\$29,528
		Total loss on wire and mail fraud counts	\$159,280

All in violation of Title 18, United States Code, Section 1341.

Count Thirty-Three

THE GRAND JURY FURTHER CHARGES THAT:

On or about September 26, 2000, in the Eastern District of Pennsylvania, defendants

LEO F. SCHWEITZER III, and
JOHN DUNN

knowingly and willfully made, and aided and abetted the making of, materially false, fictitious, and fraudulent statements and representations in a matter within the jurisdiction of the United States Probation Office, a department of the judiciary branch of the United States, in that defendants SCHWEITZER and DUNN represented to defendant SCHWEITZER'S Probation Officer that defendant SCHWEITZER would not directly or indirectly bid on Department of Defense contracts because defendant SCHWEITZER was debarred from this activity, when in fact, as defendants SCHWEITZER and DUNN knew, defendant SCHWEITZER had arranged to bid on Department of Defense contracts through a network of intermediaries he had established for that purpose.

In violation of Title 18, United States Code, Sections 1001 and 2.

A TRUE BILL:

GRAND JURY FOREPERSON

PATRICK L. MEEHAN
United States Attorney